



MICHIGAN ECONOMIC UPDATE

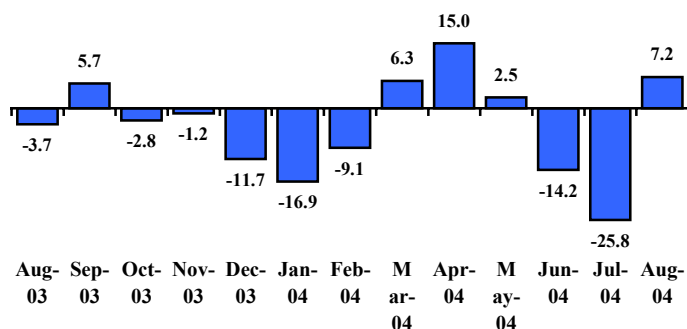
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August 2004 Summary

U.S. Economy: U.S. economic indicators were mixed. The ISM manufacturing index, while still indicating growth, fell below 60 for the first time this year. Similarly, the ISM non-manufacturing index fell 6.6 points to a 58.2 reading. Industrial production rose 0.1 percent in August; capacity utilization was flat. Retail sales declined 0.3 percent in August. Excluding autos, retail sales rose 0.2%. Housing starts increased slightly to a 2.0 million unit rate. The index of leading economic indicators fell for the third straight month.

Employment: Michigan payroll employment rose by 7,000 jobs in August, boosted by a 20,000 jobs manufacturing sector increase. The state's unemployment rate fell 0.1 of a percentage point to 6.7 percent. Nationally, payroll employment increased by 144,000 compared to July. The U.S. unemployment rate fell 0.1 of a percentage point to 5.4 percent.

Michigan Employment Rises Slightly ^(a)



Auto Industry: August light vehicle sales fell to a 16.6 million unit rate.

Compared to a year ago, the three-month average of state vehicle production was down 14.0 percent compared with a 2.3 percent increase nationally. Light vehicle inventories were up 11.6 percent from a year ago; days supply increased by 10 days to 63 days.

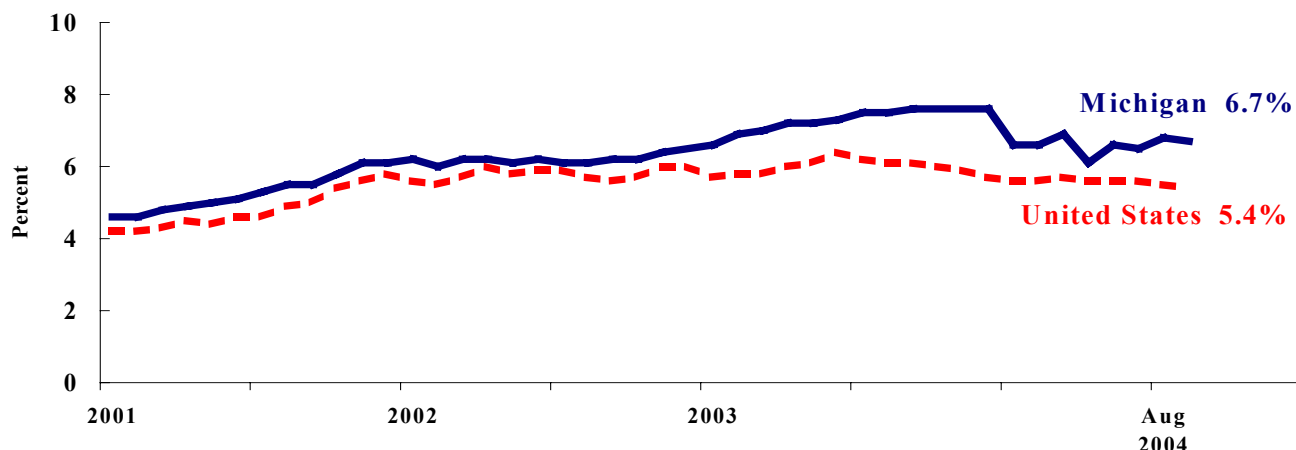
Inflation: Compared to a year ago, overall U.S. consumer prices rose 2.7 percent. Excluding volatile food and energy prices, "core" consumer prices rose only 1.7 percent. The overall Detroit CPI rose 1.7 percent.

Michigan Metro Areas: Seasonally unadjusted June unemployment rates ranged between 3.6 percent (Ann Arbor MSA) and 8.3 percent (Flint MSA) for the twelve major labor market areas. County unemployment rates ranged between 1.5 percent (Mackinac) and 11.1 percent (Oscoda).

Labor Market Statistics

- Michigan's August monthly unemployment rate decreased 0.1 percentage points to 6.7 percent. The current Michigan jobless rate is 0.8 percentage points below a year ago. The August U.S. unemployment rate decreased 0.1 percentage points from last month to 5.4 percent and was 0.7 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2001 to 2004



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,705,000 in August, up 2,000 from last month, while the labor force decreased by 6,000. Therefore, the statewide total number of unemployed decreased by 8,000 to 336,000.
- United States household employment totaled 139.7 million persons in August, up 21,000 from July. The labor force decreased by 152,000 from last month, which meant that there were 174,000 fewer unemployed people nationally, compared to July 2004.

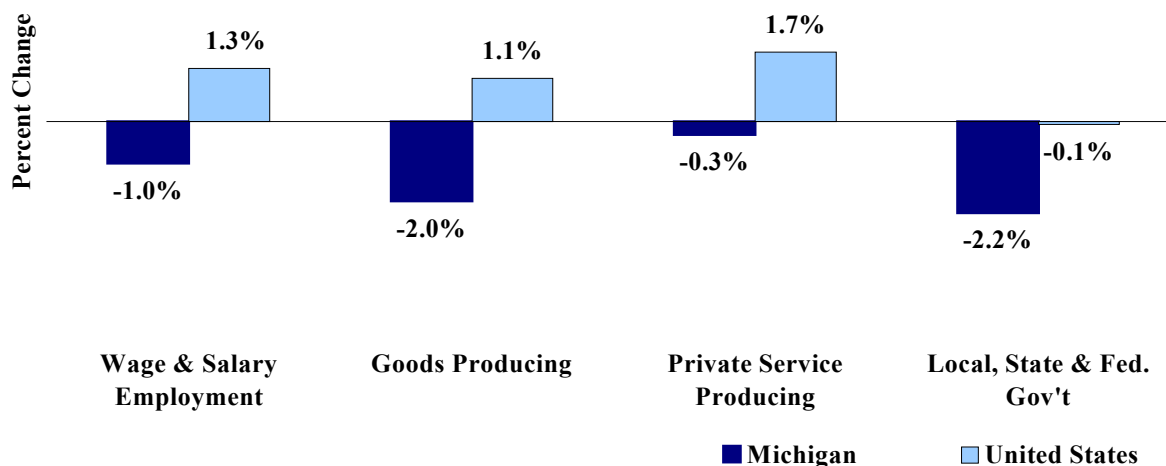
Employment by Place of Residence (in thousands)^(a)

					Change From			
	2003	Jun	Jul	Aug	Prior Month		Last Year	
	Average	2004	2004	2004	Level	%	Level	%
Michigan								
Labor Force	5,042	5,038	5,047	5,041	-6	-0.1%	n.a.	n.a.
Employed	4,674	4,710	4,703	4,705	2	0.0%	n.a.	n.a.
Unemployed	368	328	344	336	-8	-2.3%	n.a.	n.a.
Unemployment Rate	7.3%	6.5%	6.8%	6.7%	n.a.	-0.1% pts	n.a.	-0.8%
United States								
Labor Force	146,510	147,279	147,856	147,704	-152	-0.1%	n.a.	n.a.
Employed	137,736	139,031	139,660	139,681	21	0.0%	n.a.	n.a.
Unemployed	8,774	8,248	8,196	8,022	-174	-2.1%	n.a.	n.a.
Unemployment Rate	6.0%	5.6%	5.5%	5.4%	n.a.	-0.1% pts	n.a.	-0.7%

Employment by Place of Work

- From August 2003 to August 2004, Michigan wage and salary employment declined 45,000 (1.0 percent). State wage and salary employment increased 7,000 from July. Nationally, August 2004 wage and salary employment rose 1,686,000 (1.3 percent) from a year ago and was up 144,000 from last month.

Wage and Salary Employment Growth August 2003 to August 2004



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector, Michigan employment fell 2.0 percent from a year ago and private service-producing sector employment decreased 0.3 percent compared to last year. From a year ago, August national employment in the goods-producing sector rose 1.1 percent and increased 1.7 percent in the private service-producing sector.
- Manufacturing weekly hours rose substantially in Michigan by 2.7 hours compared to last year.

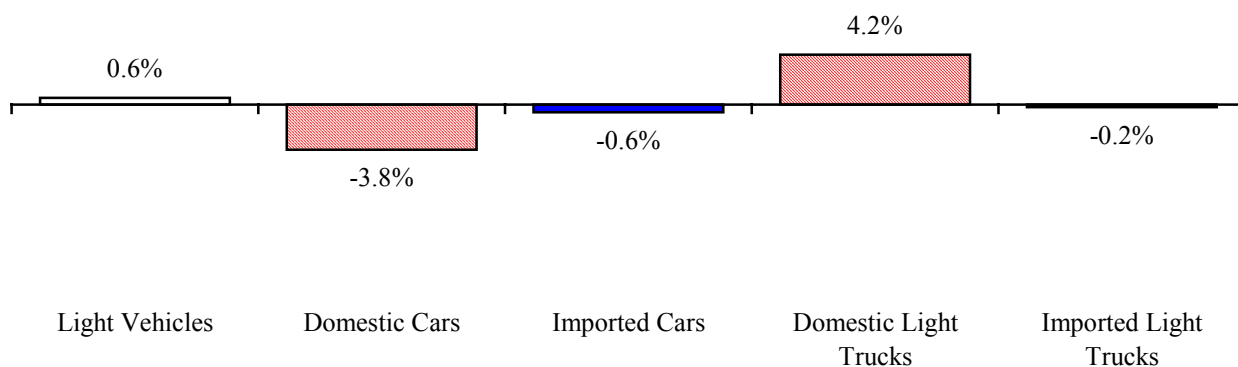
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2003 Average	Aug 2003	Aug 2004	Percent Change	2003 Average	Aug 2003	Aug 2004	Percent Change
Wage & Salary Employment	4,412	4,402	4,357	-1.0%	129,931	129,789	131,475	1.3%
Goods Producing	925	922	904	-2.0%	21,817	21,712	21,942	1.1%
Manufacturing	727	723	706	-2.4%	14,525	14,404	14,421	0.1%
Private Service Producing	2,805	2,809	2,800	-0.3%	86,538	86,497	87,968	1.7%
Trade, Trans. & Utilities	815	815	798	-2.1%	25,275	25,225	25,487	1.0%
Services	1,700	1,704	1,721	1.0%	50,092	50,102	51,258	2.3%
Local, State & Fed. Gov't	681	670	655	-2.2%	21,575	21,580	21,565	-0.1%
Manufacturing Weekly Hours	42.1	38.7	41.4	2.7 hrs	40.4	40.2	40.9	0.7 hrs

Motor Vehicle Industry Sales

- Light vehicle sales fell in August to a 16.6 million unit rate, down 3.7 percent from last month and 7.6 percent from a year ago.
- Compared to a year ago, domestic sales were down 8.1 percent while foreign sales fell 5.3 percent. Auto sales fell 8.6 percent while light truck sales declined 6.8 percent. Light vehicle inventories rose 11.6 percent while days supply increased by 10 days to 63 days.
- Year-to-date 2004 light vehicle sales are up 0.6 percent compared to last year. Domestic light truck sales are up 4.2 percent for the year, while import light truck sales are down 0.2 percent year-to-date in 2004. Domestic car sales are down 3.8 percent year-to-date while import car sales are down 0.6 percent.

2004 Light Vehicle Sales Nearly Flat Year-to-Date



Motor Vehicle Sales Statistics

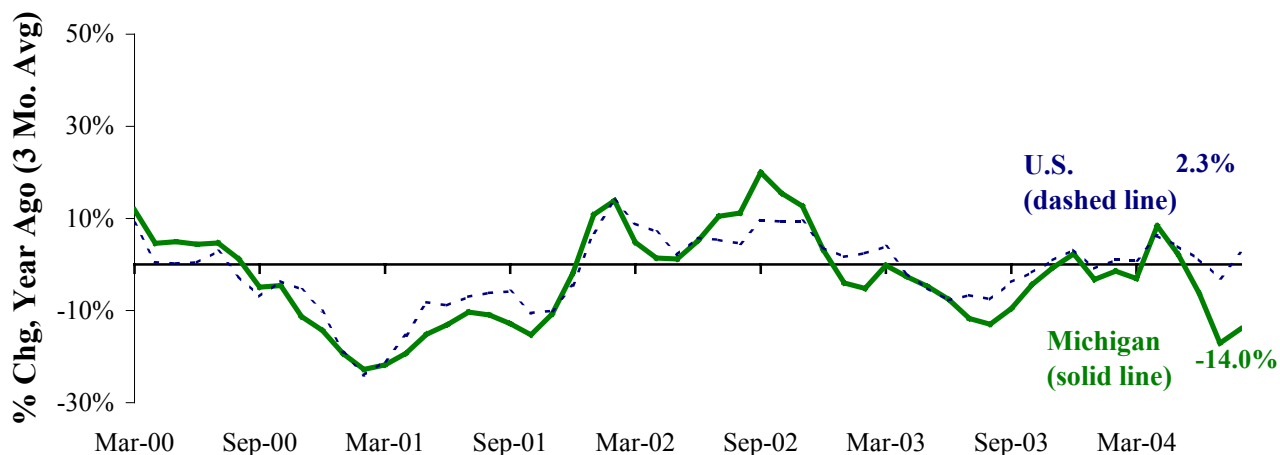
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2003 Average	Jun 2004	Jul 2004	Aug 2004	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.1	7.5	7.2	7.2	(0.7)	-8.6%
Domestics	5.5	4.9	5.5	5.2	5.2	(0.6)	-10.4%
Imports	2.1	2.1	2.1	2.0	2.1	(0.1)	-3.7%
Import Share	27.4%	30.0%	27.4%	28.0%	28.4%	1.4% pts	
Light Trucks	9.0	8.3	9.7	9.4	9.1	(0.7)	-6.8%
Domestics	7.8	7.1	8.4	8.2	7.9	(0.6)	-6.6%
Imports	1.2	1.2	1.3	1.2	1.2	(0.1)	-7.8%
Import Share	13.5%	14.6%	13.3%	12.7%	13.5%	-0.1% pts	
Total Light Vehicles	16.6	15.4	17.2	16.6	16.4	(1.4)	-7.6%
Heavy Trucks	0.3	0.4	0.4	0.4	0.4	0.1	32.2%
Total Vehicles	17.0	15.8	17.6	17.0	16.8	(1.3)	-6.9%
U.S. Light Vehicle Inventories^(d)		Jun-04	Jul-04	Aug-04	3 Month	Change	
Total Car	1.552	1.538	1.330	1.308	1.392	-0.018	
Days Supply	63	57	53	51	54	3 days	
Total Truck	2.151	2.623	2.301	2.287	2.403	0.392	
Days Supply	74	85	71	73	76	16 days	

Motor Vehicle Industry Production

- At 212,595 units, August Michigan light vehicle production fell 5.8 percent from a year ago, compared with a 9.5 percent increase nationally.
- Compared with a year ago, state car production fell 13.5 percent while state truck production rose 3.1 percent. Nationally, car production rose 7.6 percent while truck production increased 10.6 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 14.0 percent from a year ago, compared with a 2.3 percent increase nationally. Year-to-date, Michigan vehicle production is down 6.4 percent compared with a 1.2 percent increase nationally.

Trend Light Vehicle Production Down in Michigan Up Slightly Nationally



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Jun 2004	Jul 2004	Aug 2004	3 Month Average	Change from Year Ago	
						Level	%
U.S. Production ^(e)							
Autos	376.4	374.2	237.2	385.8	332.4	27.2	7.6%
Trucks	634.6	681.3	398.7	683.5	587.8	65.3	10.6%
Total	1,011.0	1,055.5	636.0	1,069.3	920.3	92.4	9.5%
Michigan Production ^(f)							
Autos	127.2	107.4	47.1	104.9	86.5	(16.4)	-13.5%
Trucks	104.8	105.0	53.9	107.7	88.9	3.3	3.1%
Total	232.0	212.4	101.0	212.6	175.3	(13.1)	-5.8%
Michigan as % of U.S.	22.9%	20.1%	15.9%	19.9%	19.1%	-3.2% pts	

August 2004 Unemployment Rates Fell in Eleven Major Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, August 2004 unemployment rates fell in eleven major labor market areas. Four labor market areas reported declines of 1.0 percentage point or more. The median decline was 0.9 of a percentage point. One area reported a slight increase from a year ago.

The Jackson MSA reported the largest decline from a year ago (1.6 percentage points) followed by the Grand Rapids MSA (1.5 percentage points). The Flint MSA reported the next largest decline (1.4 percentage points), followed by the Northeast Lower Michigan area (1.3 percentage points). Four areas reported a 0.9 of a percentage point decline from a year ago. The Lansing area reported a 0.2 of a percentage point increase from a year ago.

August 2004 unemployment rates ranged between 3.6 percent (Ann Arbor) and 8.3 percent (Flint). Compared to July's unemployment rates, all twelve major labor market areas reported non-seasonally adjusted lower unemployment rates with declines ranging between 0.2 percent and 1.9 percent.

Compared to August 2003, unemployment rates fell in 74 counties and rose in the other nine counties.

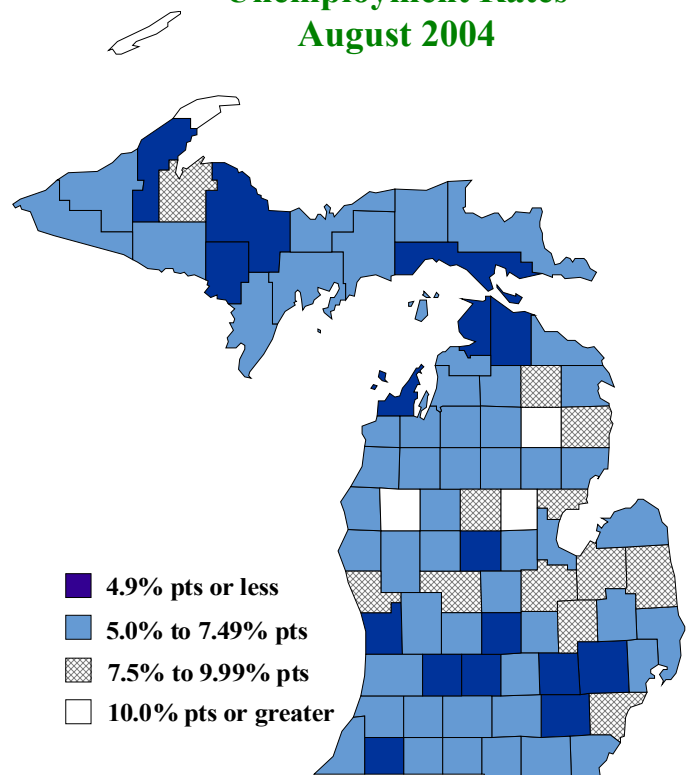
Among Michigan's 83 counties, 80 counties reported an August unemployment rate of 10.0 percent or lower. Seventeen counties recorded an unemployment rate of 5.0 percent or less.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Aug 2003 Rate</u>	<u>Aug 2004 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	7.0%	6.2%	6.8%
Ann Arbor MSA	4.1%	3.6%	4.0%
Benton Harbor MSA	7.3%	6.4%	6.8%
Detroit PMSA	7.2%	6.6%	7.4%
Flint MSA	9.7%	8.3%	9.0%
GR-Musk-Holl MSA	7.5%	6.0%	6.6%
Jackson MSA	8.0%	6.4%	6.8%
Kal-Battle Creek MSA	6.3%	5.6%	6.0%
Lansing MSA	4.6%	4.8%	5.2%
Sag-Bay-Midland MSA	8.1%	7.2%	7.7%
Upper Peninsula	6.1%	5.2%	5.5%
Northeast Lower Mich	7.6%	6.3%	6.8%
Northwest Lower Mich.	6.3%	5.4%	5.9%

Source: Michigan Department of Labor and Economic Growth. Due to methodological changes beginning in January 2004, household employment and unemployment level data are not comparable to earlier months.

Unemployment Rates August 2004



U.S. Economic Conditions

	<u>May-04</u>	<u>Jun-04</u>	<u>Jul-04</u>	<u>Aug-04</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	90.2	95.6	96.7	95.9	6.6 points
ISM Manufacturing Index ⁽ⁱ⁾	62.8	61.1	62.0	59.0	4.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	65.2	59.9	64.8	58.2	-5.6 points
	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	
Business Executives' Confidence ⁽ⁱ⁾	67.0	66.0	73.0	70.0	10.0 points
INFLATION ^(k)					
1982-84 = 100	<u>May-04</u>	<u>Jun-04</u>	<u>Jul-04</u>	<u>Aug-04</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	189.1	189.7	189.4	189.5	2.7%
Detroit CPI	NA	185.8	NA	186.8	1.7%
U.S. Producer Price Index	149.1	148.7	148.7	148.6	3.4%
INTEREST RATES					
90 Day T-Bill ^(l)	1.04%	1.27%	1.35%	1.48%	0.52% points
Aaa Corporate Bonds ^(m)	6.04%	6.01%	5.82%	5.65%	-0.23% points
INDUSTRIAL PRODUCTION ^(m)					
	116.2	115.8	116.5	116.6	5.2%
CAPACITY UTILIZATION ^(m)					
	77.4%	76.9%	77.3%	77.3%	2.8% points
RETAIL SALES ⁽ⁿ⁾					
	\$335.9	\$333.5	\$336.1	\$335.2	4.9%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Apr-04</u>	<u>May-04</u>	<u>Jun-04</u>	<u>Jul-04</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.963	1.979	1.817	1.988	5.0%
Existing Home Sales ^(p)	6.630	6.810	6.920	6.720	8.6%
DURABLE GOODS ORDERS ^(q)					
	\$192.1	\$190.2	\$192.7	\$195.8	11.8%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>% Change From Year Ago</u>
Michigan	\$305.5	\$308.0	\$313.2	\$316.1	4.4%
U.S.	\$9,140.7	\$9,254.3	\$9,380.5	\$9,510.1	5.2%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2003.3</u>	<u>2003.4</u>	<u>2004.1</u>	<u>2004.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,472.8	\$10,580.7	\$10,697.5	\$10,771.4	2.8%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.